

CCM 2013 Testimony

900 CHAPEL STREET, 9th FLOOR, NEW HAVEN, CT 06510-2807 PHONE (203) 498-3000 FAX (203) 562-6314

Your source for local government management information www.ccm-ct.org

LABOR & PUBLIC EMPLOYEES COMMITTEE

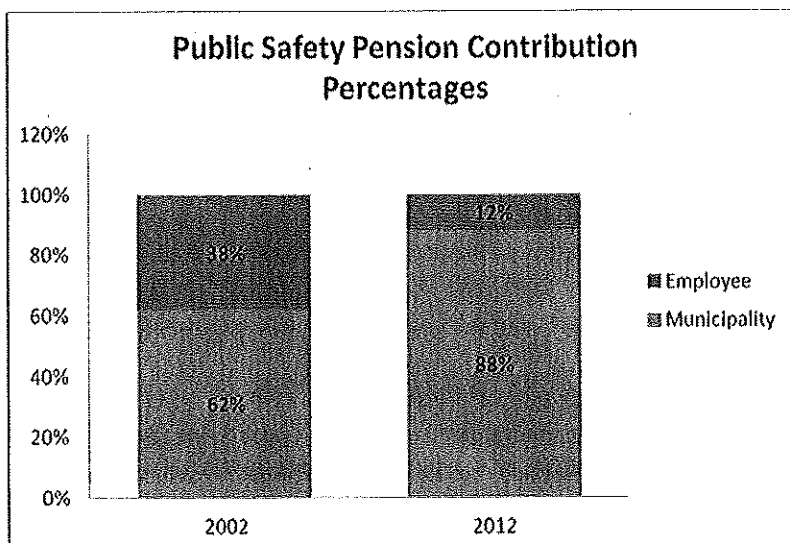
February 26, 2013

The Connecticut Conference of Municipalities (CCM) is Connecticut's statewide association of towns and cities and the voice of local government - your partners in governing Connecticut. Our members represent over 92% of Connecticut's population. We appreciate the opportunity to testify on bills of interest to towns and cities.

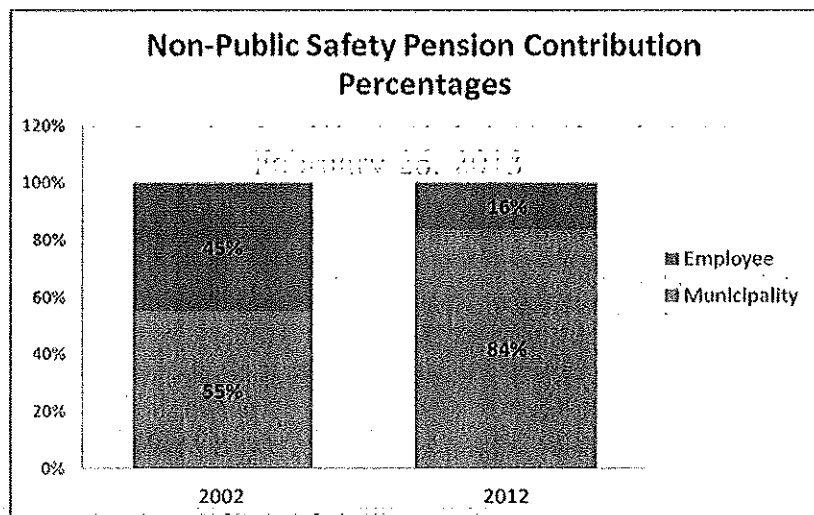
House Bill 5533 "An Act Concerning the Municipal Employee Retirement System"

HB 5533 would amend state statutes to increase the contribution rate for members of the Municipal Employee Retirement System (MERS). **CCM supports HB 5533** and has long advocated for modest adjustments to the employee contributions rates as a reasonable means of addressing the alarming disparity among employee/employer contributions within MERS. Specifically, local officials seek to adjust the employee contribution rate for non-social security participants from 5% to 8% over time, and the contribution rate for Social Security participating employees from 2.25% to 5%, also over time.

MERS is financed through employer contributions, employee contributions, and fund earnings. **It receives no state funding and is administered through the State Comptroller's Office.** Over the past eleven years, the State Employees Retirement Commission (SERC), which is authorized by the Legislature to do so, has increased contribution rates for municipalities participating in MERS nine times. From 2002-2012, municipal contribution rates have risen 444% (3.75% of payroll to 16.65%) for public safety employees; and 392% (3% to 11.76%) for all others.



However, **employee contribution rates, which are established in state statute, have never changed --** and remain 2.25% of payroll for those participating in the Social Security system, and 5% for those employed in non-Social Security communities. **Only legislative action can authorize an adjustment in the employee contribution rate.** In 2002, the employer-employee contribution rate was 55% municipality/45% employee, while currently; the rate is 84% municipality/16% employee for all non public safety employees. For police and fire, the contribution ratios were 62%/38% in 2002, while now, they are 88/12%.¹



By any reasonable measure, towns participating in MERS have absorbed a considerable hit over the past decade as the numbers above indicate. This has directly contributed to a reduction in municipal services and actual layoffs in order to meet obligations. The ratio of the retirement cost burden has skewed tremendously onto municipalities and is an imbalance that can only be corrected by the General Assembly. The surge in MERS contribution rates has come at the same time that municipalities were required by GASB rulings to fund their Other Post Employment Benefits (OPEB) liabilities. In many MERS participating communities, there is substantial unfunded liability for retiree health benefits which must be OPEB funded. This additional funding requirement, coupled with the large MERS increases, has strained municipal budgets statewide.

An immediate form of relief would be to adjust the participating employee contribution rate as proposed in HB 5533. Although the Labor Committee approved an identical proposal last session (HB 5400, 2012), the legislation fell victim to an overcrowded House calendar.

Simply put: CCM urges the Committee to **amend HB 5533 to implement a reasonable adjustment in the employee contribution rate for non-Social Security participants from 5% to 8% over time, and for Social Security participating employees from 2.25% to 5%, also over time.**

CCM supports HB 5533 and urges the Committee to amend it as recommended above and favorably report the bill.

★ ★ ★ ★ ★

If you have any questions, please contact Robert Labanara, State Relations Manager of CCM
via email rlabanara@ccm-ct.org or via phone (203) 498-3000.

¹ Town of Weston, Testimony. Labor & Public Employees Committee public hearing. March 13, 2012.